

**STANDARD MEDICAL DEDUCTION (SMD)
ANNUAL REPORT (OCTOBER 1, 2017 – SEPTEMBER 30, 2018)**

**California Department of Social Services
CalFresh and Nutrition Branch**

The California Department of Social Services (CDSS) implemented the Standard Medical Deduction (SMD) Demonstration Project for the Supplemental Nutrition Assistance Program (known as CalFresh in California) on October 1, 2017. The SMD Demonstration Project was approved under waiver authority by the United States Department of Agriculture (USDA), Food and Nutrition Service (FNS) for a period of four years beginning October 1, 2017 through September 30, 2021. California has completed the first year of the demonstration project and, as required, is submitting the first of four annual reports. This first annual report covers the time period of October 1, 2017 through September 30, 2018.

The SMD Demonstration Project is intended to improve CalFresh access among the state's low-income elderly and/or disabled population. Households with an elderly (60 years or older) and/or disabled member may qualify for a standard medical deduction of \$120, if verified medical expenses are between \$35.01 and \$155 per month. Under the SMD Demonstration Project, households with an elderly and/or disabled member may always claim all verified medical expenses in excess of \$155. Effective October 1, 2017, the SMD was available to all eligible households. Ongoing CalFresh households with existing verified medical expenses between \$35.01 and \$155 per month were all converted to the SMD by December 31, 2017.

To ensure an effective SMD implementation, the CDSS released policy guidance to the County Welfare Departments via All County Letter 17-35 dated April 25, 2017. Additionally, CDSS hosted an all-county, in-person training in partnership with Benefits Data Trust on August 9, 2017. The deductions training curriculum provided an overview of the SMD project, implementation timeline, and proper assessment for SMD eligibility, as well as general information and best practices on how to utilize all deductions, including the dependent care deduction. In addition, the CalFresh and Nutrition Branch provided outreach resource materials along with continuous technical support and assistance as needed.

Evaluation

Prior to implementing the SMD, the CDSS submitted an initial SMD baseline data report to FNS on December 27, 2017. The baseline data report compared the total number of CalFresh households with at least one elderly and/or disabled member statewide to the total number of CalFresh households with at least one elderly or disabled member and verified medical expenses over \$35 statewide. The baseline report included data for each of the three years prior to implementation of the demonstration project (Federal Fiscal Year (FFY) 2014 – FFY 2016). The baseline data has been reproduced below:

SMD Initial Baseline Data Report						
	Total CalFresh Households with an E/D Member			Total CalFresh Households with an E/D Member and Verified Medical Expenses Over \$35		
FFY	2014	2015	2016	2014	2015	2016
Total	372,860	398,368	421,962	54,107	60,662	69,156

As a condition of the SMD Demonstration Project approval, CDSS is required to provide a detailed evaluation of the project after the end of each year of implementation by comparing the initial caseload report information with the following:

- The average case load (number of households) during the reporting year;
- The average number of households with an elderly or disabled member during the reporting year;
- The average number of households with medical expense greater than \$35 during the reporting year;
- The average number of households with gross medical expenses between \$35 and the SMD amount plus \$35;
- The current SMD amount and current SUA offset

The table below summarizes the data collected for the first year of implementation (October, 1, 2017 – September 30, 2018). The data provided is based on a data request made to the Statewide Automated Welfare System (SAWS) consortia: CalACES North, CalACES South, and CalWIN.

The data represents a monthly statewide average for the reporting period of October, 1, 2017 through September 30, 2018. The data indicates an average CalFresh caseload by of 2,013,108 households. On average 375,074 of those households included an elderly or disabled member. Of all households with an elderly or disabled member, an average of 60,022 had medical expenses greater than \$35 while the average number with medical expenses greater than \$35, but less than the SMD threshold of \$155, was 44,538. The current SMD amount is \$120 and the Standard Utility Allowance (SUA) offset is \$3.

Summary Data for Standard Medical Deduction (SMD) Demonstration Project for CalFresh	
State:	California
Date:	December 21, 2018
Reporting Year/Months	October 2017 – September 2018
Average Caseload (households)	2,013,108
Average # HHs with elderly or disabled	375,074
Average # HHs with medical expenses >\$35	60,022
Average # HHs with medical expenses > \$35 but < SMD threshold	44,538
Proposed SMD amount	\$120
SMD Threshold	\$155
Proposed HCSUA offset	\$3

Conclusion

In comparison to the baseline report, the average number of CalFresh households with at least one elderly and/or disabled member with verified medical expenses over \$35 was 60,022 compared to 69,156 in FFY 2016. The decrease is likely due to an overall decrease in CalFresh households with at least one elderly and/or disabled member statewide. The total number of CalFresh households with at least one elderly and/or disabled member statewide was 421,962 in July of FFY 2016 and in FFY 2018, the average number of households dropped to 375,074. That said, the overall utilization rate remains around 16%. California is optimistic that the number of households utilizing the medical deduction will increase with the implementation of the reversal of the SSI “cash-out” policy in summer of 2019 which will increase the total number of households with an elderly and/or disabled member overall.